

111TH CONGRESS
2D SESSION

H. R. 5574

To establish the National Commission on Effective Marginal Tax Rates for Low-Income Families.

IN THE HOUSE OF REPRESENTATIVES

JUNE 22, 2010

Mr. PETRI (for himself, Mr. BURTON of Indiana, Ms. NORTON, and Mr. FORBES) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Agriculture, Veterans' Affairs, Financial Services, Energy and Commerce, and Education and Labor, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To establish the National Commission on Effective Marginal Tax Rates for Low-Income Families.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Making Work and
5 Marriage Pay Act of 2010”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1 (1) The take-home pay of low-income families is
2 subject to reductions from many sources, including
3 the Federal income tax, Social Security payroll
4 taxes, and State income taxes. In addition, eligibility
5 for many Federal and State programs for assistance
6 to the working families, such as the earned income
7 tax credit, the child tax credit, supplemental nutri-
8 tional assistance program, housing assistance pro-
9 grams, Federal and State health care programs,
10 child care assistance, and temporary assistance to
11 needy families, is based in part on income levels.
12 The rates at which the benefits from such programs
13 are phased out have the same disposable income re-
14 ducing effect as escalating marginal tax rates.

15 (2) The total effective marginal rate of tax for
16 additional income earned by low-income people can
17 exceed 100 percent and can be a disincentive to
18 working more hours, getting a raise, seeking edu-
19 cation toward a more lucrative trade, getting mar-
20 ried, or engaging in other economic or social activi-
21 ties.

22 (3) Congress has enacted each of these pro-
23 grams without consideration of the impact it would
24 have on other existing programs. As a result, the
25 structure of the United States system for the sup-

1 port of low-income families is uncoordinated and
2 contains features which work against the goal of en-
3 couraging families to work their way toward self-suf-
4 ficiency.

5 **SEC. 3. DEFINITIONS.**

6 For purposes of this Act:

7 (1) **LOW-INCOME.**—The term “low-income”
8 means, with respect to any individual or family
9 group, an individual or family group, as the case
10 may be, whose income is not more than 225 percent
11 of the poverty line (as defined by the Office of Man-
12 agement and Budget).

13 (2) **FEDERAL BENEFITS.**—The term “Federal
14 benefits” means—

15 (A) deductions, credits, and other tax ben-
16 efits available to low income taxpayers under
17 the Internal Revenue Code of 1986, including—

18 (i) the earned income tax credit under
19 section 32 of such Code,

20 (ii) the child tax credit under section
21 24 of such Code, and

22 (iii) the dependent care tax credit
23 under section 21 of such Code, and

24 (B) Federal assistance programs for low-
25 income individuals and families, including—

1 (i) the supplemental nutritional assist-
2 ance program established under the Food
3 and Nutrition Act of 2008 (7 U.S.C. 2011
4 et seq.),

5 (ii) any assistance, loan, loan guar-
6 antee, housing, housing assistance, or
7 other housing related program adminis-
8 tered, in whole or in part, by the Secretary
9 of Housing and Urban Development, the
10 Secretary of Veterans Affairs, or any other
11 Federal agency housing assistance, includ-
12 ing the project-based and tenant-based
13 rental assistance programs under section 8
14 of the United States Housing Act of 1937,

15 (iii) any Federal programs providing
16 child care assistance, and

17 (iv) Federal programs providing
18 health care assistance, including assistance
19 under the Medicaid program established
20 under title XIX of the Social Security Act
21 and the State Children’s Health Insurance
22 Program under title XXI of such Act.

23 (3) EFFECTIVE MARGINAL TAX RATE.—The
24 term “effective marginal tax rate” means the cost,

1 in terms of both taxes and loss of Federal benefits,
2 for each dollar earned by a low-income individual.

3 **SEC. 4. NATIONAL COMMISSION ON EFFECTIVE MARGINAL**
4 **TAX RATES FOR LOW-INCOME FAMILIES.**

5 (a) ESTABLISHMENT.—There is established a com-
6 mission to be known as the “National Commission on Ef-
7 fective Marginal Tax Rates for Low-Income Families”
8 (hereinafter in this Act referred to as the “Commission”).

9 (b) DUTIES OF COMMISSION.—

10 (1) IN GENERAL.—The Commission shall study
11 and make recommendations on policy changes to
12 mitigate the impact of the effective marginal tax
13 rate and of phaseouts in Federal benefits on low-in-
14 come earners and their families.

15 (2) REPORT.—Not later than 1 year after the
16 date of the enactment of this Act, the Commission
17 shall submit to the President and to Congress a re-
18 port containing the following:

19 (A) ANALYSIS.—A detailed analysis of the
20 following:

21 (i) The Commission’s general rec-
22 ommendations for increasing coordination
23 of the delivery of Federal benefits for low-
24 income families in order to reduce effective

1 marginal tax rates and decrease disincentives to work and marriage.

2
3 (ii) The relative usefulness of sudden
4 benefit cutoffs (sometime referred to as
5 “cliffs”) versus gradual reductions (some-
6 time referred to as “phaseouts”) in Fed-
7 eral benefits on low-income workers’ behav-
8 ior relating to work and marriage.

9 (iii) The interaction of Federal bene-
10 fits and State assistance programs, and
11 the potential benefits of structuring State
12 programs consistent with the design of
13 Federal assistance.

14 (iv) The maximum extent to which
15 funding for Federal benefits can be appro-
16 priated annually avoiding the need to cre-
17 ate additional entitlement programs.

18 (v) The extent to which low-income
19 cohabiting couples (including couples with
20 children and couples without children) re-
21 sist entering a legal marriage in order to
22 maximize Federal benefits and avoid lost
23 income.

24 (B) RECOMMENDATIONS.—

1 (i) IN GENERAL.—A description of the
2 Commission’s recommendations relating to
3 the following:

4 (I) Combining all Federal bene-
5 fits which are not tax benefits into a
6 single flexible voucher, allowing the
7 beneficiary to allocate funds within
8 each of the supported benefit areas.

9 (II) To the extent possible, pro-
10 viding all eligible families with equal
11 voucher funds described in clause (i),
12 varying only for income, family size,
13 and the presence of children in the
14 household.

15 (III) Combining all Federal bene-
16 fits which are tax benefits for low-in-
17 come families into a coordinated cred-
18 it that minimizes phaseouts, encour-
19 ages work, is adjusted for family size,
20 and does not penalize marriage.

21 (IV) Establishing a single eligi-
22 bility standard for all Federal bene-
23 fits.

24 (ii) REVENUE NEUTRALITY.—In mak-
25 ing recommendations under this subpara-

graph, the Commission shall consider the need to maintain revenue neutrality in order to avoid increasing the deficit.

(iii) BLUEPRINT FOR LEGISLATION.—

The Commission shall provide a blueprint for legislative proposals for each policy recommendation under this subparagraph.

(C) OTHER MATTERS.—

(i) NON-FEASIBILITY.—Should the Commission conclude that the policy framework described in subparagraph (B) is not feasible, the Commission shall include in its report—

(I) a detailed analysis of such policy framework,

(II) a comprehensive explanation of the reasons for its conclusion, and

(III) one or more policy recommendations addressing the problem of effective marginal tax rates on low-income families.

(ii) ADDITIONAL MATTER.—If the Commission includes in its report a policy plan using the policy elements described in subparagraph (B), it may also include ad-

1 ditional alternative recommendations (to-
2 gether with a legislative blueprint as pro-
3 vided under subparagraph (B)(iii)).

4 (c) MEMBERSHIP AND MEETINGS.—

5 (1) MEMBERS.—The Commission shall be com-
6 posed of 15 members, of whom 4 shall be members
7 described in paragraph (2) and 11 shall be ap-
8 pointed pursuant to paragraph (3).

9 (2) CABINET MEMBERS SERVING ON COMMIS-
10 SION.—

11 (A) IN GENERAL.—The members described
12 in this paragraph are the following Secretaries:

13 (i) The Secretary of the Treasury.

14 (ii) The Secretary of Agriculture.

15 (iii) The Secretary of Housing and
16 Urban Development.

17 (iv) The Secretary of Health and
18 Human Services.

19 (B) NON-VOTING MEMBERS; CHAIRMAN.—
20 Of the members of the Commission described in
21 subparagraph (A)—

22 (i) the 2 members with the least se-
23 niority in terms of service as Secretary
24 shall be nonvoting members, and

1 (ii) the member with the most senior-
2 ity in terms of service as Secretary shall be
3 the chairman.

4 (3) APPOINTED MEMBERS.—

5 (A) CONGRESSIONAL APPOINTMENTS.—

6 The Speaker of the House of Representatives,
7 the minority leader of the House of Representa-
8 tives, the majority leader of the Senate, and the
9 minority leader of the Senate shall each appoint
10 2 members, who shall each be experts in the
11 subject matter of the Commission.

12 (B) GOVERNORS.—

13 (i) IN GENERAL.—The President shall
14 appoint 3 State governors, of whom—

15 (I) no more than 1 shall rep-
16 resent the same political party rep-
17 resented by the President,

18 (II) 1 shall be a governor of a
19 State which is ranked in the top third
20 on the list of benefit providers estab-
21 lished under clause (ii),

22 (III) 1 shall be a governor of a
23 State which is ranked in the middle
24 third on the list of benefit providers
25 established under clause (ii), and

1 (IV) at least 1 shall be a gov-
2 ernor of a State which is ranked in
3 the lowest third on the list of benefit
4 providers established under clause (ii).

5 (ii) RANKING OF STATES.—The mem-
6 bers of the Commission described in para-
7 graph (2)(A) shall establish a list ranking
8 of States from highest benefit providers to
9 lowest benefit providers based on the fol-
10 lowing:

11 (I) The level of benefits provided
12 in the State under the Temporary As-
13 sistance to Needy Families under title
14 IV of the Social Security Act.

15 (II) The average fair-market
16 value of rental housing in the State.

17 (III) The State share of assist-
18 ance provided under a State plan
19 under the Medicaid program under
20 title XIX of the Social Security Act
21 and a State child health plan under
22 the State Children's Health Insurance
23 Program under title XXI of such Act.

24 (C) DATE FOR ORIGINAL APPOINTMENT.—
25 The appointing authorities described in para-

1 graph (1) shall appoint the initial members of
2 the Commission not later than 30 days after
3 the date of enactment of this Act.

4 (D) TERMS OF APPOINTMENT.—The term
5 of any appointment shall be for the life of the
6 Commission.

7 (4) DESIGNEES.—A member of the Commission
8 serving under paragraph (2) or appointed under
9 paragraph (2)(B) may appoint a designee to serve
10 on the Commission in such member's place.

11 (5) MEETINGS.—The chairman shall call the
12 first meeting of the Commission. Thereafter, the
13 Commission shall meet at the call of its chairman or
14 a majority of its members.

15 (6) QUORUM.—A quorum shall consist of 9 vot-
16 ing members of the Commission.

17 (7) VACANCIES.—A vacancy on the Commission
18 shall be filled in the same manner in which the origi-
19 nal appointment was made, not later than 30 days
20 after the Commission is given notice of the vacancy,
21 and shall not affect the power of the remaining
22 members to execute the duties of the Commission.

23 (8) COMPENSATION.—Members of the Commis-
24 sion shall receive no additional pay, allowances, or

1 benefits by reason of their service on the Commis-
2 sion.

3 (9) EXPENSES.—Each member of the Commis-
4 sion shall receive travel expenses and per diem in
5 lieu of subsistence in accordance with sections 5702
6 and 5703 of title 5, United States Code.

7 (d) STAFF AND SUPPORT SERVICES.—

8 (1) EXECUTIVE DIRECTOR.—

9 (A) APPOINTMENT.—The Chairman shall
10 appoint an executive director of the Commis-
11 sion.

12 (B) COMPENSATION.—The executive direc-
13 tor shall be paid the rate of basic pay for level
14 V of the Executive Schedule.

15 (2) OTHER STAFF.—The Chairman may ap-
16 point and fix the pay of additional personnel.

17 (3) PHYSICAL FACILITIES.—The Administrator
18 of General Services shall locate suitable office space
19 for the operation of the Commission. The facilities
20 shall serve as the headquarters of the Commission
21 and shall include all necessary equipment and
22 incidentals required for the proper functioning of the
23 Commission.

24 (e) POWERS OF COMMISSION.—

1 (1) HEARINGS AND OTHER ACTIVITIES.—For
2 the purpose of carrying out its duties, the Commis-
3 sion may hold such hearings and undertake such
4 other activities as the Commission determines to be
5 necessary to carry out its duties.

6 (2) STUDIES BY GAO.—Upon the request of the
7 Commission, the Comptroller General shall conduct
8 such studies or investigations as the Commission de-
9 termines to be necessary to carry out its duties.

10 (3) DETAIL OF FEDERAL EMPLOYEES.—Upon
11 the request of the Commission, the head of any Fed-
12 eral agency is authorized to detail, without reim-
13 bursement, any of the personnel of such agency to
14 the Commission to assist the Commission in car-
15 rying out its duties. Any such detail shall not inter-
16 rupt or otherwise affect the civil service status or
17 privileges of the Federal employee.

18 (4) TECHNICAL ASSISTANCE.—Upon the re-
19 quest of the Commission, the head of a Federal
20 agency shall provide such technical assistance to the
21 Commission as the Commission determines to be
22 necessary to carry out its duties.

23 (5) USE OF MAILS.—The Commission may use
24 the United States mails in the same manner and
25 under the same conditions as Federal agencies and

1 shall, for purposes of the frank, be considered a
2 commission of Congress as described in section 3215
3 of title 39, United States Code.

4 (6) OBTAINING INFORMATION.—The Commis-
5 sion may secure directly from any Federal agency
6 information necessary to enable it to carry out its
7 duties, if the information may be disclosed under
8 section 552 of title 5, United States Code. Upon re-
9 quest of the Chairman of the Commission, the head
10 of such agency shall furnish such information to the
11 Commission.

12 (7) ADMINISTRATIVE SUPPORT SERVICES.—
13 Upon the request of the Commission, the Adminis-
14 trator of General Services shall provide to the Com-
15 mission on a reimbursable basis such administrative
16 support services as the Commission may request.

17 (8) PRINTING.—For purposes of costs relating
18 to printing and binding, including the cost of per-
19 sonnel detailed from the Government Printing Of-
20 fice, the Commission shall be deemed to be a com-
21 mittee of the Congress.

22 (f) TERMINATION.—The Commission shall terminate
23 30 days after the date of submission of the report required
24 in subsection (b).

1 (g) LIMITATIONS ON AUTHORIZATION OF APPRO-
2 PRIATIONS.—There are authorized to be appropriated
3 \$2,500,000 to carry out this section. Any amount appro-
4 priated pursuant to the authority of this subsection shall
5 remain available without fiscal year limitation until ex-
6 pended.

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